



Waiver Process for System and Flexible

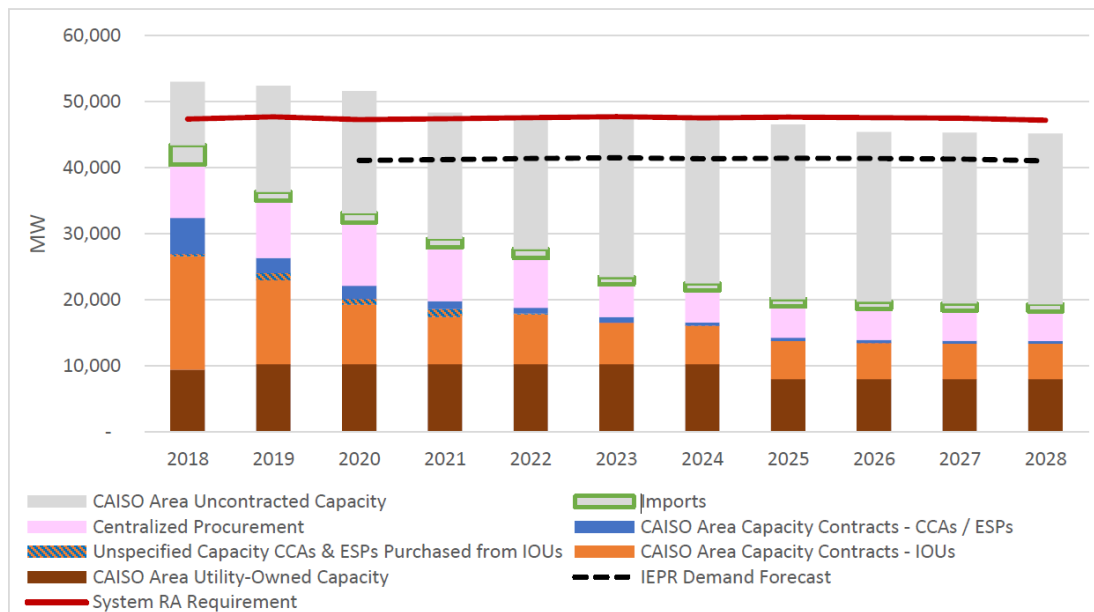
CPUC Resource Adequacy Track 3 Workshop

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Need for a Waiver Process

- Energy Division Staff has indicated that system resources are becoming more scarce

Figure 1: System RA Capacity and Obligations for CPUC Jurisdictional LSEs, 2018-2028



- The local waiver process was implemented with the acknowledgement that in some areas market power could be a concern
 - With the decline in available resources for RA, this concern could become a system problem as well

Need for a Waiver (cont.)

- Currently, the CPUC penalty for failing to meet a system or flexible obligation is \$6.66/kW-month
- The CPUC backstop has a soft-offer cap of \$6.31/kW-month
 - The allocation of such costs are first made to deficient LSEs then on a load ratio share for cumulative deficiencies
- Thus, the exposure for an LSE for system/flexible resources is a cost of \$12.97/kW-month
 - This price is significantly above the costs for CPM and RMR from the CAISO over the past several years
- Without the potential for a waiver, Generators could logically offer a resource at \$12.96/kW-month and the LSE would be better off to pay such a cost and avoid penalties and backstop
 - Since the CAISO backstop soft-offer cap represents the going forward fixed cost of a 550 MW CCGT with duct firing plus a 20% return, the potential to pay nearly double that, possibly as a result of market power, is inappropriate

Waiver for System/Flex

- SCE recommends that a process to request a waiver similar to that used for local be implemented for system and flexible RA
 - This process would include a demonstration by the LSE that it reasonably attempted to procure the necessary RA and that it was unable to do so either due to prices indicative of market power, due to unreasonable terms offered by generators, or due to lack of offers to fulfill their need
 - SCE fully expects that this process will be highly scrutinized by the CPUC and the granting of a waiver will require sufficient evidence